National Energy Board

Office national de l'énergie

National Energy Board
2012-13
Departmental Performance Report

The original was signed by

Gaétan Caron
Chair and CEO
National Energy Board

The original was signed by

The Honourable Joe Oliver, P.C., M.P.
Minister
Natural Resources

Canada

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Message from the Chair and CEO

I am pleased to present the National Energy Board's (NEB or Board) *Departmental Performance Report* (DPR) for 2012-13. The NEB's mandate is to regulate pipelines, international power lines and designated interprovincial power lines under federal jurisdiction, and energy development and trade in the Canadian public interest. It is the Board's responsibility to hold those it regulates accountable for results that are in the public interest.

The Board believes that with proper management, pipeline incidents are preventable. It is on that critical foundation that we have developed a proactive approach that targets the prevention of incidents before they occur. During 2012-13, the NEB completed several initiatives within the Action Plan on Safety and Environmental Protection. We also released plans for regulatory improvements and guidance on compliance and enforcement for damage prevention. In addition, we developed *Administrative Monetary Penalties* (AMPs) *Regulations*, which came into force in July 2013.

The NEB requires pipeline companies to anticipate, prevent, manage and mitigate potentially dangerous conditions associated with their pipelines. The Board's expectation is that regulated companies operate in a way that is systematic, comprehensive and proactive in managing risks, and that this approach is appropriately integrated into a company's overall management system throughout a project's lifecycle. In support of this, the Board amended the *Onshore Pipeline Regulations* (OPR) to include a requirement that regulated companies designate an officer who is personally accountable for the management system and the achievement of outcomes related to safety and environmental protection.

The NEB continued to ensure that continually improving regulatory requirements reflect the unique northern environment and improve safety and environmental outcomes in the North. We have conducted engagement sessions and signed Memorandums of Understanding (MOUs) with Nunavut Boards and Inuvialuit Boards that will promote regulatory collaboration in the North.

Since the passing of *Bill C-38* in June of 2012, the Board has been actively implementing the legislated changes prescribed in the *Jobs, Growth and Long-term Prosperity Act*, which included some of the most significant changes to the *National Energy Board Act* (NEB Act) since its implementation in 1959. During the year the NEB made great progress in moving forward on the necessary changes in all areas.

The NEB maintains its clear focus on fulfilling its mandate on behalf of Canadians. We are made up of knowledgeable and skilled Board Members, supported by a committed and expert staff: together, we will continue to review all areas of business to determine where improvements can be made.

The original was signed by

Gaétan Caron
Chair and CEO

Section I: Organizational Overview

Raison d'être

The National Energy Board is an independent federal, quasi-judicial regulator established in 1959 to promote safety and security, environmental protection and economic efficiency in the Canadian public interest within the mandate set by Parliament for the regulation of pipelines, energy development and trade.

Responsibilities

The main responsibilities of the NEB are established in the *NEB Act* and include regulating:

- The construction, operation, and abandonment of pipelines that cross international borders or provincial/territorial boundaries, as well as the associated pipeline tolls and tariffs;
- The construction and operation of international power lines and designated inter-provincial power lines; and
- Imports of natural gas and exports of crude oil, natural gas liquids (NGL), natural gas, refined petroleum products and electricity.

Additionally, the Board has regulatory responsibilities for oil and gas exploration and production activities in Canada Lands[1] not otherwise regulated under joint federal/provincial accords. These regulatory responsibilities are set out in the *Canada Oil and Gas Operations Act* (COGO Act), and the *Canada Petroleum Resources Act* (CPR Act).

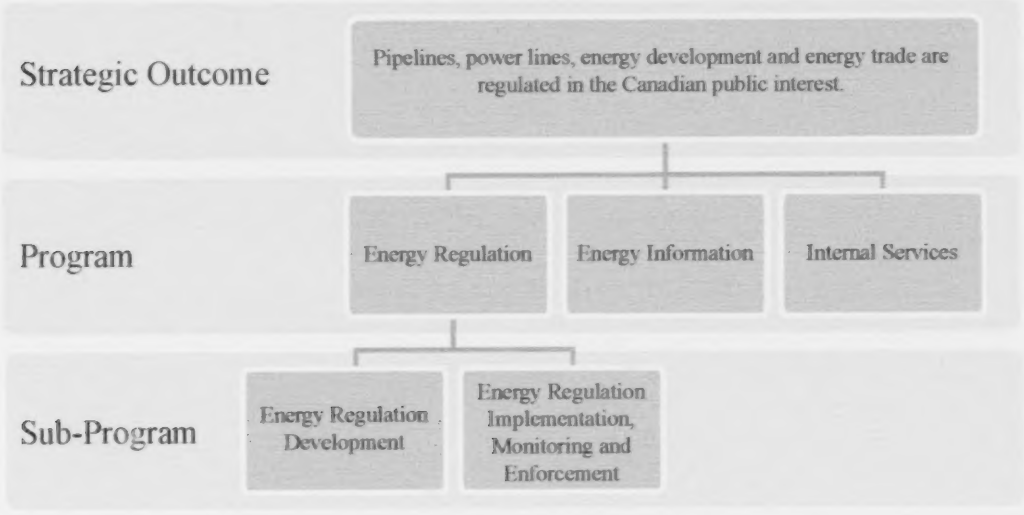
The NEB conducts environmental assessments (EA) during its review of applications for projects under its jurisdiction. For certain projects, an EA is also required by federal legislation, such as the *Canadian Environmental Assessment Act 2012* (CEAA 2012), the *Mackenzie Valley Resource Management Act*, the *Inuvialuit Final Agreement* or the *Nunavut Land Claims Agreement*. Certain Board inspectors are appointed Health and Safety Officers by the Minister of Labour to administer Part II of the *Canada Labour Code* as it applies to NEB-regulated facilities and activities.

The Board also monitors aspects of energy supply, demand, production, development and trade that fall within the jurisdiction of the federal government. The Board reports to Parliament through the Minister of Natural Resources.

1 For the purposes of this DPR, Canada Lands are defined as the Northwest Territories, Nunavut, and submarine areas, not within a province, in the internal waters of Canada, the territorial sea of Canada or the continental shelf of Canada, but does not include the adjoining area, as defined in section 2 of the *Yukon Act*.

Strategic Outcome and Program Alignment Architecture

The diagram below illustrates the NEB's strategic outcome and program alignment architecture. The Board's programs and sub-programs all contribute to achieving the strategic outcome.[2]



2 Updates have been made to the Management, Resources and Results Structures (MRRS) nomenclature effective 1 April 2012: Program Activity Architecture becomes Program Alignment Architecture; Program Activity becomes Program; Sub-Activity becomes Sub-Program; and Sub-Sub-Activity becomes Sub-Sub-Program.

Organizational Priorities

The following organizational priorities were the focus of the Board's attention and resources during this reporting period. These priorities and the associated plans aim at continuing to deliver on the Board's strategic outcome.

Priority	Type[3]	Strategic Outcome(s) and/or Program(s)
Continual improvement of safety and environmental outcomes.	New	Energy Regulation
Summary of Progress		
The Action Plan on Safety and Environmental Protection continued to be implemented this year; as a result, information about enforcement actions is readily available to Canadians. Key actions included: • Released a plan for regulatory improvement for prevention of damage to pipelines by third parties. • Released guidance on compliance and enforcement for damage prevention. • Amended the *Onshore Pipeline Regulations* (OPR) to include a requirement for the designation of a company officer who is personally accountable for the management system and the achievement of outcomes related to safety and environmental protection. • Drafted *Administrative Monetary Penalties Regulations*. • Completed consultations on the *Pipeline Crossing Regulations*. • Completed six audits and conducted more than 150 inspections. • Initiated development of a framework for more in-depth and strategic analysis of compliance data.		

3 Type is defined as follows: **previously committed to**—committed to in the first or second fiscal year prior to the subject year of the report; **ongoing**—committed to at least three fiscal years prior to the subject year of the report; and **new**—newly committed to in the reporting year of the *Report on Plans and Priorities* or DPR. If another type that is specific to the department is introduced, an explanation of its meaning must be provided.

Priority	Type	Strategic Outcome(s) and/or Program(s)
A robust regulatory framework for the North.	New	Energy Regulation

Summary of Progress

- Continued to engage northern communities, youth, governments, regulatory agencies, and land claim institutions.
- Signed Memoranda of Understanding that will promote regulatory collaboration in the North with:
  - Nunavut Impact Review Board
  - Nunavut Water Board
  - Environmental Impact Screening Committee
  - Environmental Impact Review Board for the Inuvialuit
  - Mackenzie Valley Land and Water Board.
- Conducted over 50 engagement sessions with Northerners and Northern institutions.
- The NEB's Chair and CEO, accompanied by the President of the Qikiqtani Inuit Association, visited several Baffin Island communities to explain the NEB's role in regulating offshore seismic exploration for oil and gas.
- The NEB continued to work with Natural Resources Canada and Aboriginal Affairs and Northern Development Canada, ensuring that continually improving regulatory requirements reflect the unique northern environment and improve safety and environmental outcomes in the North.

Priority	Type	Strategic Outcome(s) and/or Program(s)
A flexible and efficient organization able to meet new and ongoing priorities.	New	Energy Regulation Internal Services

Summary of Progress

- Implemented legislated changes resulting from the passing of the *Jobs, Growth and Long-Term Prosperity Act*.
- Continued to leverage the Land Matters Group (LMG) to increase the dialogue among members of the public, Aboriginal groups and industry who have interests in land matters and are impacted by the activities of NEB-regulated companies. The LMG:
  - identified current and emerging land matters issues impacting interested parties,
  - recommended improvements to regulating the facilities and/or activities of companies regulated by the NEB and,
  - recommended strategies for engaging Canadians on the Board's damage prevention framework and draft AMPs Regulations, among other initiatives.
- The Board approved revised criteria for the Online Application System (OAS) Phase 2 project which will expand the types of non-hearing facility applications which companies may submit online. In order to implement OAS changes, the NEB would require additional funding.
- Introduced the NEB's Integrated Risk Management Policy and Framework, which sets out the principles, practices and accountabilities for integrated risk management at the NEB. These will support strategic priority setting and resource allocation, informed decision-making and improved results.
- Continued to improve the integrated planning process to allow better assessment and understanding of current and future needs of the organization.

Risk Analysis

Risk	Risk Response Strategy	Link to Program Alignment Architecture	Link to Organizational Priorities
Resource constraints	• Monitored activity levels to ensure resource planning was strategically managed throughout the year • Regularly reviewed NEB priorities considering available staff resources • Reviewed the People Strategy and staffing plan during the year • Completed the Commodities Tracking System (CTS) » Risk identified in the 2012–13 RPP » Strategies were effective in reducing risk exposure	• Energy Regulation • Energy Information • Internal Services	A flexible and efficient organization able to meet new and ongoing priorities.
Risk	**Risk Response Strategy**	**Link to Program Alignment Architecture**	**Link to Organizational Priorities**
Loss of reputation as a regulator	• Employed transparent and consistent processes in dealing with applications • Employed a risk-informed compliance verification program that considers resource requirements to perform compliance verification activities and ensures activities are completed according to plan • Monitored corrective actions for compliance verification activities and analyzed emerging risks and trends within regulated companies' operating environments • Prevented loss or improper disclosure of sensitive information through clear policies and review of processes » Risk identified in the 2012–13 RPP » Strategies were effective in reducing risk exposure	• Energy Regulation	Continual improvement of safety and environmental outcomes.

Risk	Risk Response Strategy	Link to Program Alignment Architecture	Link to Organizational Priorities
Changes in expectations from Parliamentarians and the public	• Monitored trends via reports, media and political debates and engaged stakeholders to ensure their views were heard » Risk identified in the 2012–13 RPP » Strategies were effective in reducing risk exposure	• Energy Regulation	Continual improvement of safety and environmental outcomes. A robust regulatory framework for the North.
Risk	**Risk Response Strategy**	**Link to Program Alignment Architecture**	**Link to Organizational Priorities**
Inability to recruit and retain staff	• Measured employee engagement and work-life balance and effectiveness of improvement plans • Continued to provide training and development opportunities to ensure competent staff and a challenging work environment • Effectively used contracted/temporary/ term employees to fill gaps » Risk identified in the 2012–13 RPP » Strategies were effective in reducing risk exposure	• Energy Regulation • Energy Information • Internal Services	A flexible and efficient organization able to meet new and ongoing priorities.

Risk	Risk Response Strategy	Link to Program Alignment Architecture	Link to Organizational Priorities

Inability to deliver effective internal services	• To ensure a safe workplace, the Board has in place:
	  • a threat risk assessment practice: assessments are performed for all external events and ensure appropriate security procedures
	  • a suite of occupational health and safety policies and programs, including mandatory training for staff and managers
	  • a Workplace Health and Safety Committee
	  • a Policy Health and Safety Committee
	• Developed a three-year information management (IM)/information technology (IT) strategy to help guide future IT investment decisions
	» Risk identified in the 2012–13 RPP
	» Strategies were effective in reducing risk exposure
		• Energy Regulation
		• Internal Services
			A flexible and efficient organization able to meet new and ongoing priorities.

Operating Context[i]

The oil and gas industry experienced an increasingly challenging year in 2012, while consumers benefited from stable prices and ample supplies.

Canadian energy production increased in 2012 and growth in energy consumption slowed. Domestic energy production increased by about two per cent, with growth in petroleum and a decline in natural gas production. Domestic energy consumption grew slightly in all categories, and overall by 1.1 per cent in 2012 compared with 2.5 per cent in 2011. Electricity trade was at record levels in 2012. Exports increased to a 10-year high and imports fell to a 10-year low, driven by strong electricity sales in Bristish Columbia, Ontario and Quebec.

Canadian crude oil production in 2012 increased by about seven per cent compared to 2011, averaging an estimated 513 960 m^3/d (3.23 MMb/d). The growth was largely attributable to increased in situ oil sands production and tight oil production. In 2012, estimated synthetic crude oil production increased by one per cent and non-upgraded bitumen production increased by 15 per cent over 2011 levels.

In 2012, Canadian gas production continued declining, falling to 144 $10^9 m^3$ for the year and averaging 392.7 $10^6 m^3/d$ (5.1 Tcf annual or 13.9 Bcf/d). Gas production fell in all provinces and territories except British Columbia. Gas prices were too low to cover the costs of adding new production except for a handful of plays, largely those whose economics were supplemented by the production of NGLs, which receive a higher price than dry gas.

Electricity generation grew by 1.6 per cent in 2012 to 645 TW.h. About 900 MW of wind capacity was added in Canada in 2012, mostly in Quebec, Alberta and B.C. This represented an 18 per cent increase over 2011 and brought total wind capacity up to 6,195 MW.

Since 2009, net energy export revenues have been increasing and were about $57 billion in 2012. Also, net revenues have increasingly been derived from sales of crude oil and bitumen rather than from natural gas.

Parliamentarians and the public continue to show increased interest in the energy industry, the safety and environmental impacts of energy pipeline incidents, and the role of the public in influencing regulatory and political decisions regarding the development of Canada's energy industry.

In addition, the NEB continued to be affected by a tight labour market for specialized skilled workers, increased work in the areas of safety and environment compliance and enforcement, more applications and public hearings, and requests under the *Access to Information Act*. As well, the NEB has acquired new responsibilities as a result of changes to the *NEB Act* by the passing of the *Jobs, Growth and Long-term Prosperity Act*. The passing of this Act resulted in the most significant changes to the *NEB Act* since its inception in 1959, including:

- A fixed beginning-to-end time limit of 18 months for most NEB project hearings. From receipt of a complete application, the NEB will have 15 months to complete the project assessment. Then, for applications requiring a certificate, the Governor in Council (GiC) will have three months to make a decision;
- The GiC will make the decision to approve or deny all major pipeline projects. The NEB's report on a project will include conditions to be attached to any certificate issued. The Board makes the final decision as to what its recommendation will be, and what terms and conditions would apply;
- The Chair of the NEB will set time limits for specific project reviews within the maximum 15 month time limit. The *NEB Act* provides the Chair with a variety of tools to make sure time limits are met and applications are dealt with in a timely manner;
- Factors that the Board may consider when reviewing export licences for natural gas and oil have been changed. The requirement to hold a hearing for gas export licences has been removed;

- Section 112 of the *NEB Act* now includes the option of pursuing criminal prosecution for unauthorized activity on NEB-regulated pipeline rights of way;
- For major projects, the NEB must hear concerns from those persons or groups who are directly affected by the project. The Board may also hear from those who have relevant information or expertise about the project;
- The restriction on the number of temporary Board Members has been removed; and,
- Authorization for the Board to establish a system of administrative monetary penalties. AMPs will enable NEB to impose financial penalties on companies or individuals for violations related to safety and the environment.

Risk Implications and Strategies

In managing a changing environment and resource constraints, the NEB monitored activity levels to ensure resource planning was strategically managed throughout the year. The Board regularly reviewed NEB priorities considering available staff resources, in addition to reviewing its People Strategy and staffing plan during the year.

The skills and experience needed by the NEB continues to be in high demand throughout the oil and gas industry. In response, the NEB continued to focus on recruitment and retention initiatives. Human resources initiatives promote strong management practices, strategic recruitment, investment in people, training and development opportunities, and effective work-life balance.

To maintain public confidence in the Board's actions, the Board continued to employ transparent and consistent processes in dealing with applications. The Board employed a risk-informed compliance verification program that considers resource requirements to perform compliance verification activities, and ensures activities are completed according to plan. The Board also monitored corrective actions for compliance verification activities and analyzed emerging risks and trends within regulated companies' operating environments.

The NEB continued to strengthen its IT infrastructure in response to growing demand for services and business continuity requirements. Over the reporting period, major upgrades were carried out on the NEB desktop computing environment, email system, back-office servers, and remote access capabilities. A plan was developed to relocate the NEB data centre in advance of the NEB's relocation in 2014.

The NEB continues to work closely with its partners at Shared Services Canada and takes advantage of centrally available IT services where it is cost effective to do so. Program demand for IM and IT service continues to grow. The NEB's regulatory data management systems are antiquated and require replacement in order to meet regulatory reporting and planning requirements. New Treasury Board requirements will necessitate the replacement of the NEB's financial and HR systems in the coming years. It is becoming increasingly difficult to balance sustainment efforts with replacement needs. To help guide future IT/IM investment decisions, the NEB has developed a three-year IM/IT strategy and enhanced its IM/IT governance model.

Summary of Performance

Financial Resources – Total Departmental ($ millions)

Total Budgetary Expenditures (Main Estimates) 2012–13	Planned Spending 2012–13	Total Authorities (available for use) 2012–13	Actual Spending (authorities used) 2012–13	Difference (Planned vs. Actual Spending)
59.1	62.5	74.4	69.6	7.1

Human Resources (Full-Time Equivalents— FTEs)

Planned 2012–13	Actual 2012–13	Difference 2012–13
393.6	398.1	4.5

Performance Summary Table for Strategic Outcome(s) and Program(s) ($ millions)

Strategic Outcome: Pipelines, power lines, energy development and energy trade are regulated in the Canadian public interest.

Program	Total Budgetary Expenditures (Main Estimates 2012–13)	Planned Spending			Total Authorities (available for use) 2012–13	Actual Spending (authorities used)			Alignment to Government of Canada Outcomes
		2012–13	2013–14	2014–15		2012–13[1]	2011–12	2010–11	
Energy Regulation Program	32.9	35.6	38.6	38.9	44.8	44.1	34.9	26.9	Strong Economic Growth
Energy Information Program	6.6	6.7	8.1	7.8	8.0	6.0	8.2	6.3	Strong Economic Growth
Strategic Outcome Sub-Total	**39.5**	**42.3**	**46.7**	**46.7**	**52.8**	**50.1**	**43.1**	**33.2**	

[1] In order to align with departmental authorities by Program, as presented in Vol. II of the Public Accounts, services provided without charge amounts for employer's contribution to employee insurance plans, such as the Public Service Health Care Plan and the Public Service Dental Plan provided by the Treasury Board of Canada Secretariat, accommodations provided by Public Works and Government Services Canada, Workers' compensation provided by Human Resources and Skills Development Canada and legal services provided by the Department of Justice are not included in this figure. This information is presented in Departmental Financial Statements only.

Performance Summary Table for Internal Services ($ millions)

Internal Services	Total Budgetary Expenditures (Main Estimates 2012–13)	Planned Spending			Total Authorities (available for use) 2012–13	Actual Spending (authorities used)		
		2012–13	2013–14	2014–15		2012–13	2011–12	2010–11
	19.6	20.2	20.2	18.8	21.7	19.5	21.3	25.6
Sub-Total	**19.6**	**20.2**	**20.2**	**18.8**	**21.7**	**19.5**	**21.3**	**25.6**

Total Performance Summary Table ($ millions)

Strategic Outcome(s) and Internal Services	Total Budgetary Expenditures (Main Estimates 2012–13)	Planned Spending			Total Authorities (available for use) 2012–13	Actual Spending (authorities used)		
		2012–13	2013–14	2014–15		2012–13	2011–12	2010–11
	59.1	62.5	66.9	65.5	74.4	69.6	64.4	58.8
Total	**59.1**	**62.5**	**66.9**	**65.5**	**74.4**	**69.6**	**64.4**	**58.8**

The variance between the Planned Spending and the Total Authorities for 2012-13 ($11.9 million) is mainly due to the following changes during the reporting period:

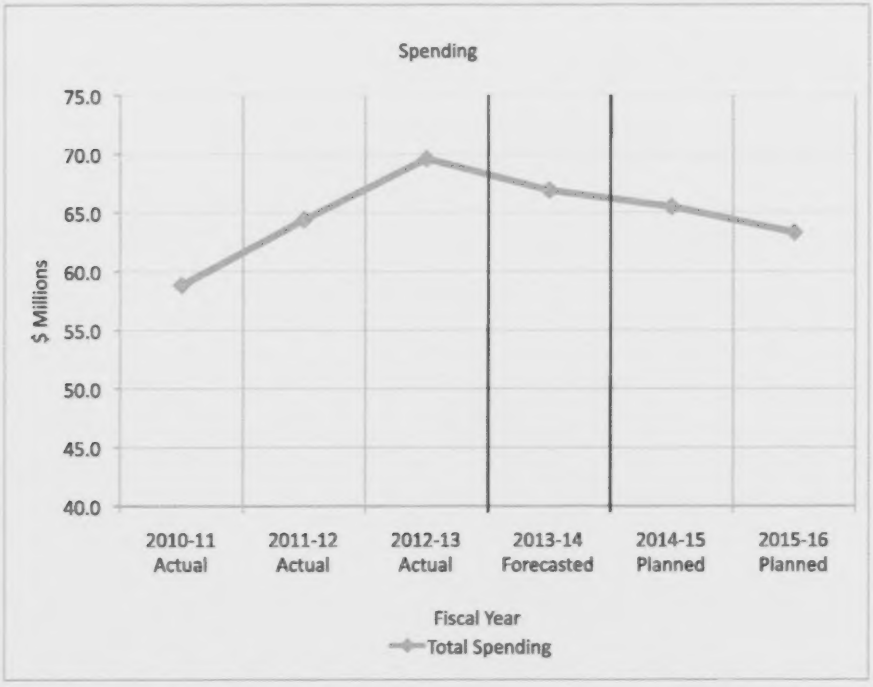
- Increase in authority ($5.9 million) due to approval of the Safety and Public Awareness Treasury Board submission
- Increase in authority ($4.1 million) due permanent allocation from Treasury Board Vote 15 (Collective Agreements)
- Increase in authority ($1.0 million) due to year-end adjustment to statutory employee benefit plan expenditures
- Increase in authority ($0.9 million) due to Treasury Board Vote 30 (reimbursement of eligible paylist expenditures).

The variance between the Total Authorities and the Actual Spending for 2012-13 ($4.8 million) is mainly due to the following changes during the reporting period:

- Frozen - Reprofile of Participant Funding Program ($3.0 million). Funding was first approved for the Alaska Gas Pipeline project, which is no longer of concern for the NEB. Reprofiling of that amount over the next two fiscal years was approved in the NEB's Supplementary Estimates (SUPP B) to fund the TransMountain Expansion project.
- Lapse – Participant Funding Program ($1.2 million)
- Lapse – Salary ($0.6 million)

Expenditure Profile

Departmental Spending Trend



The increase in actual spending in 2012-13 ($5.2 million) is due to the NEB receiving $5.89 million to support an increased focus on pipeline safety and a lapse of $0.6 million of that amount. The decrease of $6.3 million over the planned spending for the next three fiscal years, 2013-14 to 2015-16, from 2012-13 spending is due the following:

- Collective agreement allowances ($5.1 million) not included in the forecasted and planned amount since negotiations are still ongoing;
- The NEB received as part of the Safety submission funding a one-time O&M implementation of $1.2 million in fiscal year 2012-13.

Estimates by Vote

For information on the National Energy Board's organizational Votes and/or statutory expenditures, please see the *Public Accounts of Canada 2013 (Volume II)*. An electronic version of the Public Accounts 2013 is available on the Public Works and Government Services Canada website.[ii]

Strategic Environmental Assessment

The NEB is in compliance with the *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*.[iii]

Section II: Analysis of Programs and Sub-Programs by Strategic Outcome

Strategic Outcome

The Board has one strategic outcome: Pipelines, power lines, energy development and energy trade are regulated in the Canadian public interest. The strategic outcome contributes to the safety of Canadians, the protection of the environment and efficient energy markets. To support this outcome, the Board has two programs: Energy Regulation and Energy Information. This section describes the targets for each program, and performance achieved against each indicator and target. Information is also provided on the financial and human resources that have been dedicated to each program area.

Strategic Outcome: *Pipelines, power lines, energy development and energy trade are regulated in the Canadian public interest.*		
Performance Indicators	**Targets**	**Actual Results**
Number of pipeline failures on NEB-regulated pipelines resulting in the release of liquid or gas.	Zero	One pipeline rupture.
Number of fatalities related to the construction and operation of NEB-regulated facilities.	Zero	Zero
Canadian prices for oil and gas are in line with continental prices.	The price that Canadians pay for oil and gas is similar to export prices, based on comparison of relative prices.	Canadian oil and gas prices remained similar to export prices in adjacent markets.

This Strategic Outcome is linked with three performance indicators. Two out of three performance indicator targets were met. The zero target for the number of pipeline failures on NEB-regulated pipelines was not met in 2012-13. On 28 June 2012, a rupture occurred on the Nig Creek Pipeline, 40 kilometres from Wonowon, B.C. A pressure drop was noted on the pipeline exiting the Nig Compressor Station, which was then shut down and isolated.

Program: Energy Regulation

This program enables Canadian energy infrastructure to be appropriately developed and managed throughout its lifecycle. This program also allows for the appropriate exploration and development of oil and gas in frontier and offshore areas.

The authority for this program is derived from the *National Energy Board Act*, the *Canada Oil and Gas Operations Act*, the *Canada Petroleum Resources Act*, the *Canada Labour Code* and other associated regulations and guidelines. As an independent regulatory tribunal, the NEB examines and makes decisions on public interest considerations related to safety and security, environmental protection, economic efficiency and the rights and interests of those affected by NEB-regulated facilities. Energy regulation provides Canadians with safe, reliable and efficient energy supply.

The Energy Regulation Program has two sub-programs:

Energy Regulation Development

This sub-program provides the energy sector and affected stakeholders with the regulatory expectations required for the development and operation of energy infrastructure and for oil and gas exploration and development activities in frontier and offshore areas. The NEB develops and communicates regulations, guidance materials and related processes to ensure its regulatory expectations are clear and useful.

Energy Regulation Implementation, Monitoring and Enforcement

Through this sub-program, the NEB efficiently makes informed decisions on issues and applications related to energy development, energy infrastructure, energy transportation, energy trade and related activities. The Board actively involves those interested in or affected by its regulatory decisions through public hearings and other engagement activities.

Through risk informed compliance verification activities, the Board monitors and enforces regulated entities' compliance with regulatory requirements. The NEB also oversees the safe, secure and economically efficient construction and operation of energy infrastructure. Through monitoring and enforcement, the NEB holds regulated entities accountable for results in the public interest.

Financial Resources – Energy Regulation Program ($ millions)

Total Budgetary Expenditures (Main Estimates) 2012–13	Planned Spending 2012–13	Total Authorities (available for use) 2012–13	Actual Spending (authorities used) 2012–13	Difference 2012–13
32.9	35.6	44.8	44.1	8.5

Financial Resources – Energy Regulation Development Sub-Program ($ millions)

Planned Spending 2012–13	Actual Spending 2012–13	Difference 2012–13
6.4	8.0	1.6

Financial Resources – Energy Regulation Implementation, Monitoring and Enforcement Sub-Program ($ millions)

Planned Spending 2012–13	Actual Spending 2012–13	Difference 2012–13
29.2	36.1	6.9

Human Resources (FTEs) – Energy Regulation Program

Planned 2012–13	Actual 2012–13	Difference 2012–13
233.9	242.4	8.5

Human Resources (FTEs) – Energy Regulation Development Sub-Program

Planned 2012–13	Actual 2012–13	Difference 2012–13
34.8	36.1	1.3

Human Resources (FTEs) – Energy Regulation, Implementation, Monitoring and Development Sub-Program

Planned 2012–13	Actual 2012–13	Difference 2012–13
199.1	206.3	7.2

Performance Results – Energy Regulation Program

Expected Results	Performance Indicators	Targets	Actual Results
Regulated activities are conducted in accordance with regulatory requirements.	Percent of major applications filed which are found to be deficient.	Less than or equal to 5% of major applications filed are found to be deficient, and are sent back to the applicant for re-submission.	No major applications were found to be deficient.
	Percent of findings of non-compliance that are repeat findings.	Zero	Out of six audit reports, 13 per cent of the findings of non-compliance were repeat findings of non-compliance.
Clear and comprehensive regulatory framework.	Level of stakeholder satisfaction.	Greater than or equal to 80% of stakeholders surveyed are satisfied with the regulatory framework.	**Unable to assess.** There was insufficient data to support analysis.
Fair, transparent and efficient application assessment.	Stakeholder satisfaction based on post-decision feedback.	Greater than or equal to 80% satisfaction of stakeholders surveyed.	**Unable to assess.** There was insufficient data to support analysis.
	Percent of successful judicial appeals related to fairness or legal principles.	Zero	Zero
Regulated companies are held accountable for results in the Canadian public interest.	Percent of planned high-risk compliance activities completed.*	100%	100% of all high-risk compliance activities were completed.
	Degree to which compliance-related information is publicly accessible per the Action Plan on Safety and Environmental Protection.	100%	100% of compliance-related information was publicly accessible.
* The NEB's risk informed approach to compliance activities may result in adjustments to the plan through the year.			

Performance Analysis and Lessons Learned

Energy Regulation

In 2012-13, no major applications were found to be deficient, and none were sent back to applicants for re-submission.

The Board expects that pipeline companies operate in a systematic, comprehensive and proactive manner that manages risks. As required by the OPR, companies must establish, implement and maintain effective management systems and protection programs in order to anticipate, prevent, mitigate and manage conditions that may adversely affect the safety and security of the company's pipelines, employees, the general public, as well as property and the environment. The Board utilizes a number of methods for assessing compliance with its regulatory requirements which include audits of company management systems and protection programs for safety, environment, integrity, pipeline crossings, public awareness, emergency management and security.

Following audits, companies are required to submit Corrective Action Plans to the Board that address all findings of non-compliance. Board staff follows up on the implementation of these corrective actions. Out of the six audit reports issued in the 2012-13 fiscal year, 13 per cent of the findings of non-compliance were repeat findings. These particular repeat findings were in the areas of:

- hazard identification;
- documentation & document control;
- corrective & preventive actions;
- communication;
- legal requirements; and
- management of change.

The Board's target is for none of the findings of non-compliance to be repeat findings. The Board will focus on the above-noted areas in its coming audits and will monitor trends in findings to determine if broader industry-wide actions need to be taken.

The Board has already taken steps to reduce the number of repeat findings of non-compliance. One of these steps is the issuance of an amendment to the OPR which now requires companies to appoint an accountable officer to ensure that its management system is established, implemented and maintained.

The NEB did not measure stakeholder satisfaction during the year, as no post-hearing surveys were conducted during the period. As collecting meaningful and statistically significant data through surveys was a challenge now and in the past, the NEB has reviewed and updated its Performance Management Framework for 2013-2014 to better

measure the expected results of NEB programs.

Actual spending for the Energy Regulation Program was $44.1 million. Actual FTEs totaled 242.4.

Energy Regulation Program Development Sub-Program

In support of a **clear and comprehensive regulatory framework**, the NEB:

- Developed guidance, partnerships and awareness activities to promote working safely around pipelines.
- Continued to implement the Action Plan on Safety and Environmental Protection.
- Strengthened relationships with northern communities and organizations in order for the NEB to remain aware of the interests of residents.
- Maintained and developed strategic relationships with other regulators.

Energy Regulation Implementation, Monitoring and Enforcement Sub-Program

In support of **fair, transparent and efficient application assessments**, the NEB:

- Implemented amendments to the *Filing Manual*.
- Implemented efficiencies in processing applications, including hearing processes, to ensure service standards are met by:
  - Tailoring procedural steps to align with project requirements, as appropriate.
  - Enhancing online processes to increase efficiency of routine import and export applications through the Commodities Tracking System.
- Developed effective working relationships through the Land Matters Group so that concerns, views and opportunities related to land matters could be addressed collaboratively.
- Advanced improvements to the Online Application System.
- Initiated planning to secure additional resources to address significant major projects

In support of **holding regulated companies accountable for results in the Canadian public interest**, the NEB:

- Provided industry with information to improve performance on a company-by-company basis through the six management system audits and through 86 compliance meetings with companies.
- Continued to provide public access to information about NEB programs and the performance of regulated companies on safety and environmental protection through the posting of Board orders and audit reports on the NEB's website.

- Clarified management system requirements by amending the OPR which supports a systematic approach to managing and reducing risks related to safety and environmental protection.
- Held companies accountable for the effectiveness of their management systems using compliance verification tools, including six audits and the requirement for companies to report leading and lagging performance indicators related to their safety, integrity, environmental protection, crossings, public awareness, emergency management and security programs.

Program: Energy Information

Under this program, the supply, demand, production, development, transmission and trade of energy are analyzed to ensure the requirements of Canadians are appropriately met. Advice may be provided on energy issues of interest to Parliament. The Board uses energy information to inform its regulatory decisions and to produce publicly-available assessments of energy trends, events and issues which may affect Canadian energy markets and the supply and demand for energy. The authority for this program is derived from the *National Energy Board Act*.

Financial Resources – Energy Information Program ($ millions)

Total Budgetary Expenditures (Main Estimates) 2012–13	Planned Spending 2012–13	Total Authorities (available for use) 2012–13	Actual Spending (authorities used) 2012–13	Difference 2012–13
6.6	6.7	8.0	6.0	-0.7

Human Resources (FTEs) – Energy Information Program

Planned 2012–13	Actual 2012–13	Difference 2012–13
31.4	38.1	6.7

Performance Results – Energy Information Program

Expected Results	Performance Indicators	Targets	Actual Results
Canadians benefit from energy related information.	Feedback from internal and external clients on Energy Information Program products via questionnaires after workshops, comment cards with publications, interviews with clients.	Greater than or equal to 80% of feedback from clients indicates they find Energy Information Program products useful and relevant.	98% of internal clients rated Energy Speaker Series events "interesting and informative" and "topics/speakers relevant to their work". The Petroleum Industry Research Association (PIRA) multi-client forum referenced data and observations from the NEB's *Energy Futures* report. Environment Canada's *Canada's Emissions Trends 2012* references the *Energy Futures* report and notes the Board's "extensive consultation process" in developing energy demand and supply assumptions.

Performance Analysis and Lessons Learned

Energy Information

This year, the NEB focused on building analytical capacity and making revisions to its market monitoring program to reflect the changes to export legislation resulting from the *Jobs, Growth and Long-Term Prosperity Act*. As a result, fewer energy information publications were produced than in prior years.

Two Energy Market Assessments, the *Short-term Canadian Natural Gas Deliverability 2012-2014*, and the *Energy Futures Backgrounder*, were published. The latter is a companion piece to the prior year's report, *Canada's Energy Future: Energy Supply and Demand Projections to 2035*. The *Backgrounder* report responds to the interest stakeholders expressed in obtaining supplementary energy futures information.

The NEB also published its regular Summer and Winter energy outlooks and the annual *Canadian Energy Overview*.

Two planned products, the *Short-term Canadian Natural Gas Deliverability 2013-2015* Energy Market Assessment, and *Ultimate Potential for Unconventional Hydrocarbons in the Montney Tight Gas and Tight Oil Play*, were postponed to 2013-2014.

This allowed the NEB to focus on building a new market monitoring program to support the Board's mandate under the revised Part VI of the NEB Act, pursuant to the changes resulting from the *Jobs, Growth and Long-Term Prosperity Act*. The new market monitoring program will include focused analysis on the functioning of energy markets and the ability to meet domestic energy needs; enhanced coverage of the changing North American energy landscape; and innovative and engaging delivery to targeted audiences. Lastly, the NEB continued to redesign its energy information web pages.

Actual spending for the Energy Information Program was $6.0 million. Actual FTEs totaled 38.1.

Program: Internal Services

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Material Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

Financial Resources – Internal Services Program ($ millions)

Total Budgetary Expenditures (Main Estimates) 2012–13	Planned Spending 2012–13	Total Authorities (available for use) 2012–13	Actual Spending (authorities used) 2012–13	Difference 2012–13
19.6	20.2	21.7	19.5	-0.7

Human Resources (FTEs) – Internal Services Program

Planned 2012–13	Actual 2012–13	Difference 2012–13
128.3	117.7	-10.7

Performance Analysis and Lessons Learned

Internal Services

This year, the NEB implemented the 2012-15 People Strategy. In 2012-13, priorities focused on:

- Work-life balance: people have a work-life balance that works for them
- Engagement: people feel that their input and ideas are heard and issues are addressed
- Leadership: people have a high degree of confidence in the leadership of the NEB, and understand the reasons for decisions and direction

The People Strategy introduced the Talent Management Framework, which continues to be developed, while maintaining the Emerging Technical Leaders and Emerging Leaders programs at the NEB. The Board also strengthened its integrated planning process to better link financial and human resources allocations to activities and outcomes.

The Regulatory Resourcing Framework continued to support good management practices and focused on employees working directly or indirectly on regulatory matters, including hearing and non-hearing applications, compliance verification activities, regulation work, and energy information program. This year, the NEB measured workload and progress towards its priorities via formal quarterly reports to ensure resources are being used in the most effective way, while maintaining a healthy and productive work environment.

During the year, the Board strengthened its integrated risk management framework such that a Corporate Risk Profile outlining prominent corporate risks was developed and will be updated annually. As well, the NEB's Integrated Risk Management Policy was created and aims to establish and foster a risk management culture that is integrated with other NEB management practices.

The Board continued to improve the integrated planning process to allow better assessment and understanding of current and future needs of the organization. The integrated business planning process ensured that components of strategic priorities and key corporate risks were reflected throughout planned activities across the organization.

In preparation for the relocation of the NEB's Calgary offices in 2014, the NEB engaged staff throughout the year, gathering input on design and logistics. The NEB will use a structured approach in managing change to support employees in making a successful transition to their new work space.

Actual spending for the Internal Services Program was $19.5 million. Actual FTEs totaled 117.7.

Section III: Supplementary Information

Financial Statements Highlights

The National Energy Board operates on a full accrual accounting basis according to Treasury Board's policy for reporting based on generally accepted accounting principles (GAAP). The tables below provide highlights from the NEB's Statement of Operations and Departmental Net Financial Position and Statement of Financial Position, as presented in its 2012-13 financial statements. As such, differences do exist between these tables and those presented in other sections of the Departmental Performance Report, which are prepared on the modified cash basis of accounting.

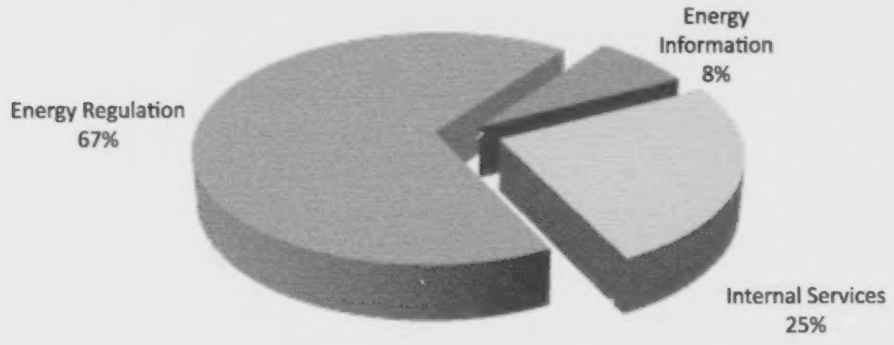
Condensed Statement of Operations and Departmental Net Financial Position

National Energy Board Condensed Statement of Operations and Departmental Net Financial Position (Unaudited) For the Year Ended March 31, 2013 ($ millions)					
	2012–13 Planned Results (Restated)*	**2012–13 Actual**	**2011–12 Actual**	**$ Change (2012–13 Planned vs. Actual)**	**$ Change (2012–13 Actual vs. 2011–12 Actual)**
Total expenses	72.0	77.0	72.1	5.0	4.9
Total revenues	-	-	-	-	-
Net cost of operations before government funding and transfers	72.0	77.0	72.1	3.0	4.9
Departmental net financial position		3.1	19.1	*	(16.0)

*The 2012-13 Planned Results have been restated to incorporate amendments made to *Treasury Board Accounting Standard 1.2 – Departmental and Agency Financial Statement*. Departmental net financial position was not calculated for the 2012-13 RPP. Please refer to the complete set of 2012-13 Financial Statements for additional information.

Total expenses for 2012-13 have increased by approximately $5.0 million over the previous year. *Budget 2012* included additional funding for the NEB to strengthen pipeline safety and expenditures in this area, which contributed to the increase in expenses from 2011-12 and is also the explanation for the variance between planned and actual spending.

The following graph presents NEB expenses by program.



Condensed Statement of Financial Position

National Energy Board Condensed Statement of Financial Position (Unaudited) As at March 31, 2013 ($ millions)			
	2012–13	2011–12	$ Change
Total net liabilities	19.3	33.2	(13.9)
Total net financial assets	8.7	7.3	1.4
Departmental net debt	10.6	25.9	(15.3)
Total non-financial assets	7.5	6.8	0.7
Departmental net financial position	(3.1)	(19.1)	16.0

Total net liabilities have decreased by almost $14 million from 2011-12. This decrease is related to Other Payables which represents the year-end balance of levies collected from newly regulated parties under Section 5.2(1) of the *National Energy Board Cost Recovery Regulations*. In 2011-12 the balance of these levies was $15.7 million. This amount was offset against the 2012-13 billings of other regulated parties.

Financial Statements

The NEB's Financial Statements can be found on the NEB's website.[iv]

Supplementary Information Tables

- Greening Government Operations
- Internal Audits and Evaluations
- Response to Parliamentary Committees and External Audits
- Sources of Respendable and Non-Respendable Revenue
- User Fees Reporting

All electronic supplementary information tables listed in the 2012–13 Departmental Performance Report can be found on the National Energy Board's website.[v]

Tax Expenditures and Evaluations Report

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations* publication. The tax measures presented in the Tax Expenditures and Evaluations publication are the sole responsibility of the Minister of Finance.[vi]

Section IV: Other Items of Interest

Organizational Contact Information

Address:	National Energy Board 444 Seventh Avenue SW Calgary, Alberta T2P 0X8
Email:	info@neb-one.gc.ca
Internet:	http://www.neb-one.gc.ca
Telephone:	403-292-4800
Toll free:	1-800-899-1265
Fax:	403-292-5503
Toll free fax:	1-877-288-8803
TTY (teletype):	1-800-632-1663

Additional Information

NEB Strategic Plan

The NEB's Strategic Plan is available on the NEB's website.[vii]

NEB Annual Report

For more information on the NEB's activities in 2012, the NEB's Annual Report is available on the NEB website.[viii]

Endnotes

i. National Energy Board. *Canadian Energy Overview 2012*, July 2013.

ii. The Public Accounts 2013, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

iii. The *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*, http://www.ceaa.gc.ca/default.asp?lang=En&n=B3186435-1

iv. NEB Financial Statements, http://www.neb-one.gc.ca/clf-nsi/rpblctn/rprt/dprtmntlprfrmncrprt/dprtmntlprfrmncrprt-eng.html

v. Supplementary Information Tables, http://www.neb-one.gc.ca/clf-nsi/rpblctn/rprt/dprtmntlprfrmncrprt/dprtmntlprfrmncrprt-eng.html

vi. Department of Finance's annual Tax Expenditures and Evaluations, http://www.fin.gc.ca/purl/taxexp-eng.asp

vii. NEB Strategic Plan, http://www.neb-one.gc.ca/clf-nsi/rthnb/whwrndrgvrnnc/strtgcpln-eng.html

viii. NEB Annual Report, http://www.neb-one.gc.ca/clf-nsi/rpblctn/rprt/nnlrprt/nnlrprt-eng.html